

**Statement of  
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Hearing on**

***“Examining the Department of the Interior’s Actions to Eliminate Onshore Energy Burdens”***

**January 18, 2018**

Chairman Gosar, Ranking Member Lowenthal, and Members of the Subcommittee, I am pleased to join you today to discuss the Bureau of Land Management’s (BLM) efforts to address the burdens that inhibit the development of the Nation’s onshore Federal energy resources, specifically oil and gas resources. Under Secretary Zinke’s leadership we are reviewing, revising, and creating new oil and gas program policies, procedures, and guidelines to help secure American energy dominance, create jobs, and build a strong economy.

**Public Lands’ Contribution to Energy Dominance**

Reducing the United States’ dependence on other nations by developing domestic energy resources leads to a stronger America. Public lands support an “America First” Energy Agenda that fosters domestic energy production in order to keep energy prices low for American families, businesses, and manufacturers. Every drop of oil, cubic foot of natural gas or Megawatt of geothermal, wind and solar energy produced here in the United States creates jobs, promotes a strong economy, and frees us from dependence on foreign energy resources. Beyond gaining America’s energy security, low cost energy benefits the American consumer and enhances American manufacturing competitiveness, making American businesses more competitive globally.

The BLM manages about 245 million surface acres and 700 million subsurface acres, located primarily in 12 western states, including Alaska and North Dakota. The BLM administers this diverse portfolio of lands on behalf of the American people as part of the agency’s multiple-use mission – including energy and mineral development, livestock grazing, timber production, recreation, and conservation, among others. Onshore oil and gas production on BLM-managed public lands is a significant part of this strategy and makes an essential contribution to the Nation’s energy supply – playing a significant role in supporting jobs for hardworking Americans.

The BLM has 26 million surface acres currently under lease for oil and gas development, including over 94,000 active wells and about 40,000 leases. The BLM oversees onshore oil and gas development on Federal lands and lands held in trust for the benefit of various tribes. Collectively, these lands contain world-class deposits of energy and mineral resources which power millions of homes and businesses. The BLM’s most recent economic study estimates the

Federal onshore oil and natural gas program alone provides approximately \$42 billion in economic output and supported approximately 200,000 jobs nationwide.

Further, the BLM is a key revenue producer for the Federal government by providing a significant non-tax source of funding to state and Federal treasuries, and is an important economic driver for local communities across the country. Roughly fifty percent of the revenue from lease sales goes to the state where the oil and gas activity is occurring, while the rest goes to the U.S. Treasury. If wells commence oil and gas production on the lease parcel, the royalties paid on the Federal minerals are also shared with the state. States and counties in turn often use these funds to support roads, schools, and other important community needs.

Under Secretary Zinke's commitment to the advancement of energy dominance, and in accordance with Secretarial Order 3354 to conduct quarterly lease sales, the BLM in 2017 held 28 onshore oil and gas lease sales. This is almost a 30 percent increase from the 20 onshore oil and gas lease sales held in 2016. These sales generated about \$360 million in bonus bids, rentals and fees – an 87 percent increase over the previous year's results of \$193 million. Among these sales, which together were the highest in nearly a decade, rights to a total of 949 parcels, covering 792,823 acres, were sold.

The BLM is also working diligently to improve its permitting process. In FY 2017, the BLM approved 2,486 Applications for Permit to Drill (APDs) on Federal lands, and operators drilled 1,424 wells on Federal lands. The overall APD average processing time for the BLM dropped to 93 days on average in FY 2017, from 139 days on average in FY 2016. By the end of FY 2017 the BLM had 76 more pending APDs compared to the end of FY 2016 despite an increase of 1,582 additional APDs received in FY 2017. The FY 2018 budget request reflects this emphasis with a significant increase for the oil and gas management program.

### **Blazing the Path to Energy Dominance in America**

Under President Trump's vision of empowering the private sector, as well as state and local governments, Secretary Zinke has issued a number of Secretarial Orders to reduce unnecessary and burdensome regulations while maintaining environmental protections and public health. The BLM has followed suit by reviewing all relevant business practices in an effort to implement these new policies.

In implementing Executive Order (EO) 13783 *Promoting Energy Independence and Economic Growth*, (March 28, 2017), Secretary Zinke issued nine Secretarial Orders that direct Interior bureaus and offices to take immediate and specific actions to identify and alleviate or eliminate burdens on domestic energy development. The most overarching Secretarial Order reducing burdens on energy development is Secretarial Order 3349, *American Energy Independence* (March 29, 2017), which directed bureaus to examine specific actions impacting oil and gas development, and any other actions affecting other energy development. Secretarial Order 3354, *Supporting and Improving the Federal Onshore Oil and Gas Leasing Program and Federal Solid Mineral Leasing Program* (July 6, 2017) directed the BLM to hold quarterly oil and gas lease sales, and to identify ways to promote the exploration and development of Federal onshore oil and gas and solid mineral resources, including improving quarterly lease sales, enhancing the

Federal onshore solid mineral leasing program, and improving the permitting processes. On May 31, 2017, Secretary Zinke signed Secretarial Order No. 3352 to jump-start Alaskan energy production in the National Petroleum Reserve – Alaska (NPR-A) and update resource assessments for areas of the North Slope, helping to unleash Alaska’s energy potential. As a result, on December 22, the Secretary released an updated resources assessment for the NPR-A, which estimates oil and gas resources to be 8.7 billion barrels of oil and 25 trillion cubic feet of natural gas. Finally, most recently, the Department issued Secretarial Order 3360, *Rescinding Authorities Inconsistent with Secretary’s Order 3349, American Energy Independence*, which rescinded several reports and manuals that were inconsistent with current policy.

### **Eliminating Burdensome Regulations**

In response to the Secretarial Orders, the BLM reviewed all regulations related to domestic oil and natural gas development on public lands; the results include temporarily suspending and postponing certain requirements and determining, through a rulemaking process, whether it is appropriate to rescind or revise the Venting and Flaring Rule; rescind the Hydraulic Fracturing rule, assessing Onshore Orders Nos. 3, 4, and 5 and revising a number of oil and gas leasing IMs and policies. Following is a brief description of the actions the BLM has taken to reduce the burdens associated with its onshore oil and gas program.

#### ***Postponing, Reviewing & Rescinding the 2016 Venting & Flaring Rule***

The BLM found that the 2016 venting and flaring final rule was inconsistent with E.O.13783, and that implementing some parts of the rule could unnecessarily burden industry. On December 8, 2017, the BLM finalized a temporary suspension or delay of certain requirements to prevent costs on operators for requirements that may be rescinded or significantly revised in the near future. Suspending and delaying the 2016 final rule will provide the BLM sufficient time to review and consider revising or rescinding its requirements. This step will also provide industry additional time to plan for and engineer responsive infrastructure modifications that will comply with the regulation. The BLM also submitted a draft proposed rule to the Office of Management and Budget (OMB) for interagency review on November 1, 2017, and expects to publish a proposed rule in the near future.

#### ***Rescinding the Hydraulic Fracturing Rule***

On December 29, 2017, the BLM rescinded the 2015 rule on hydraulic fracturing, which never went into effect due to pending litigation, as the 2015 rule imposes administrative burdens and compliance costs that are not justified. The BLM found that all 32 states with Federal oil and gas leases, as well as some tribes currently have laws or regulations that address hydraulic fracturing operations, and that pre-existing BLM regulations ensure that operators will conduct oil and gas operations in an environmentally sound manner. Therefore rescinding the rule would reduce regulatory burdens by enabling oil and gas operations to occur under more streamlined and less duplicative regulations within each state or tribal lands. The BLM expects that eliminating this duplicative rule will lead to additional interest in oil and gas development on public lands, especially under higher commodity prices.

#### ***Assessing Onshore Orders Nos. 3, 4, & 5***

The BLM is currently assessing the Onshore Orders 3, 4, and 5 to determine 1) if additional

revisions are needed beyond the already-implemented phase-in period for certain provisions; 2) the ability for industry to introduce new technologies through a defined process, rather than through an exception request; and 3) the built-in waivers or variances. The BLM completed its assessment of possible changes to alleviate burdens that may have added to constraints on energy production, economic growth and job creation. As a result of this assessment, the BLM is considering policy guidance to address some of the issues raised.

### **Planning for Energy Dominance**

The BLM's land use planning process provides – among many other multiple use considerations – a standardized procedure for analyzing the opportunities for oil and gas development on public lands, while also ensuring that such development is done in an environmentally responsible manner. Resource Management Plans (RMPs) reflect the BLM's efforts to weigh the many resources and competing uses within a planning area. For purposes of oil and gas leasing, lands within a planning area are identified as fitting into one of three categories – lands open under standard lease terms, lands open with restrictions, and lands closed to leasing.

The BLM holds competitive lease sales quarterly in each of the state offices where lands have been nominated and are available. After the lease sale is held, a lessee may then submit an APD for a specific area within their lease, and working with the BLM, the appropriate conditions and terms of the lease are developed.

The BLM recognizes that lease stipulations and additional Conditions of Approval (added at the permitting stage can overly burden energy development on public lands by adding additional development costs; increasing the complexity of the drilling operations; and extending project timeframes. As such, the BLM is also evaluating the need for the numerous land use designations and lease stipulations that may conflict with BLM's multiple use objectives, as a part of the ongoing review of the planning process, and is committed to working with state, local, and tribal partners to update policies. The BLM is also identifying potential actions it could take to streamline its planning and National Environmental Policy Act (NEPA) review procedures.

### **Implementing Smart Internal Policies & Procedures**

As part of a comprehensive effort to reduce burdens, the BLM is revising and rescinding its internal oil and gas Instruction Memorandums (IMs) and policies. Changes to IMs will result in streamlined administrative processes, reductions of duplicative actions, and elimination of redundant NEPA reviews – reducing burdens on industry and providing savings to the American taxpayers without sacrificing environmental protections.

### ***Leasing Reforms***

The BLM is replacing its *Oil and Gas Leasing Reform – Land Use Planning and Lease Parcel Reviews IM (2010-117)*, which unnecessarily increased time frames associated with analyzing and responding to protests and appeals, as well as longer lead times for BLM to clear and make parcels available for oil and gas lease sales. As such, the BLM has undertaken an effort to revise and reform its leasing policy and to streamline the leasing process from beginning (i.e. receipt of an EOI) to end (competitively offering the nominated acreage in a lease sale). Under existing

policies and procedures, the process can take up to 16 months, and sometimes longer, from the time lands are nominated to the time a lease sale occurs. The BLM is examining ways to significantly reduce this time by as much as 10 months. The President's FY 2018 Budget Request includes an additional \$16 million for the BLM's oil and gas program. This includes a net increase of about 71 full-time-equivalent employees to enhance the core capacity for processing APDs, EOIs, and rights-of-way.

### ***Eliminating Master Leasing Plans***

The BLM is rescinding its *Oil and Gas Leasing Reform – Master Leasing Plans (MLPs) IM (2013-101)*, which introduced the concept of MLPs. This needless bureaucratic layer resulted in duplication of NEPA and certain processes and also the BLM deferring many areas open to oil and gas leasing from leasing while awaiting the completion of the public scoping and analysis for the MLPs. The BLM will re-establish the BLM RMPs as the source of lands available for fluid minerals leasing. Removing these unnecessary process-related steps will decrease uncertainty, increase efficiency, and encourage fiscal responsibility without sacrificing environmental protections. The BLM expects that this rescission will result in more streamlined NEPA analysis and a shorter timeframe for acreage nominations to make it to a competitive lease sale.

### ***Clarifying Leasing in Sage-Grouse Habitat***

On December 29, 2017, the BLM published *Oil and Gas Leasing and Development Prioritization IM (2018-026)*, updating a number of existing policies that provide on-the-ground guidance for BLM's management actions related to oil and gas leasing and development in sage-grouse habitat management areas. The new guidance clarifies that the BLM does not need to lease and develop entirely outside of habitat management areas before it can consider leasing and development within sage-grouse habitat management areas as long as appropriate protective stipulations and COAs are applied to protect sage-grouse. The BLM will continue to work cooperatively with respective stakeholders to find leasing and drilling locations with the least impact to Greater Sage-Grouse and other resources, to the greatest extent possible, and will require the use of the best available science in its decision-making process.

### ***Eliminating Superfluous Protests***

Current BLM regulations allow any party to file a protest on a BLM decision, such as a protest on a land use plan or on a subsequent decision to include a parcel in an oil and gas lease sale. Historically protests were parcel-specific on issues unique to the parcel in question. In recent years, the number and reasons for protesting every parcel in the sale has increased and become broad-based and non-parcel specific. In FY 2017, 88 percent of parcels offered for lease were protested, compared to in FY 2012, when only 17 percent of parcels received protests. The number of parcels offered on the original sale notice decreased from 2,247 in FY 2012 to 1,427 in FY 2017. To date, many BLM state offices are receiving protests on every oil and gas parcel offered through the Notice of Competitive Lease Sale process.

While the BLM can still hold a lease sale for parcels with pending protests, the protest must be resolved prior to the lease being issued. This in turn can delay payment of the State's share of the bonus bids – which occurred most recently in the State of New Mexico. In September 2016, BLM hosted a record-setting lease sale generating \$145 million in revenue, of which

approximately \$70 million was owed to the state under the Mineral Leasing Act revenue sharing provision. As a result of the number of protested parcels and the length of time it took to resolve all protests, the payment to the State of New Mexico was delayed by approximately 250 days. To address this unnecessary burden on both states and industry, the BLM is considering regulatory changes to limit redundant protests that hinder orderly development.

### **Conclusion**

The BLM remains committed to promoting responsible oil and gas production that helps create and sustain jobs, promotes a robust economy, and contributes to America's energy dominance, while also protecting consumers, public health, and sensitive public land resources and uses. The BLM's oil and gas leasing program is a critical component of the Nation's energy infrastructure and is an important Federal revenue generator. Thank you for the opportunity to present this testimony. I will be glad to answer any questions.